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~~NOTARY - CONTINUED CONTROL~~

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Implications of the Contest for Control of YemenYemen-Bloc Economic Relations

Since 1955, the Sino-Soviet Bloc has extended approximately \$65 million in economic and military credits to the Kingdom of Yemen. Thus, Yemen is heavily dependent on the Bloc for all of its external economic and military assistance. Despite reports that the USSR has become disenchanted with Bloc aid, Yemen continues to accept Bloc assistance for economic development and for arming the Yemeni military establishment. Approximately 235 technicians have been utilized by Yemen to implement Bloc economic and military aid.

A. Economic Assistance.

The Sino-Soviet Bloc has extended approximately \$45 million in economic developmental credits to Yemen.

Table 1

Sino-Soviet Bloc Economic Assistance to Yemen  
1956-Oct 1958

	Date of Agreement	Description	Million US \$	
			Borrower	Lender
Czechoslovakia	1956	Cement Plant	1.7	1.7
	1956	Ground Water Survey	8.8	
East Germany	1956	Telephone Exchange	.1	
USSR	1957	Line of Credit	25.0	25.0
Communist China	1957	Line of Credit	16.3	11.6
TOTAL			43.1	38.4

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In mid-1957, the USSR agreed to provide Yemen with a \$25 million credit to be used for the construction of a port at Ras al-Kothib, 7 air-ports, gasoline storage tanks and a number of miscellaneous public works. Approximately \$15 million was obligated for the construction of a port at Ras al-Kothib on which work was begun in late 1957. Soviet technicians have also been engaged in the construction of several airfields and are nearing completion of a highway between Ras al-Kothib and Hodaida.

In January 1958, the Soviet ambassador to Egypt offered Yemen an additional credit of \$85 million to be utilized for agricultural development, mineral exploration and <sup>initiation</sup> of a <sup>1</sup> sanitation program. There is no indication that Yemen has accepted the Soviet offer.

Communist China has extended a credit of \$16.3 million to be utilized for the construction of a highway and a number of small-scale industrial enterprises. Approximately \$11.6 million has been allocated for a highway connecting Sana'a, Hodaida and Ta'izz. Discussions are reportedly in progress for the construction of a fish cannery, a glass factory and a cement factory.

B. Military Assistance.

Prior to 1958, Yemen had signed arms agreements with the Bloc valued at about \$20 million, reflecting a one-third discount on the selling price of \$30 million for the arms and equipment. Repayment apparently is to be made over a period of 15 years, presumably in Yemeni

communities. While there are indications that Yemen may have concluded another sizeable arms agreement with Czechoslovakia in late June 1958, details are lacking.

The \$25 million credit extended by the USSR in 1957 provided for the construction of 3 major airfields and 4 other minor installations. In early 1958, it was reported that Soviet technicians were nearing completion of reconstruction work on an old airport south of Sana'a, which is to be the site of a flight training school. Work reportedly has begun on a new airport six miles north of Sana'a under the supervision of Soviet technicians, and Soviet technicians are reconstructing the airfield near Hodaida.

In September 1957, there were indications that Yemen planned to fortify an area near the Bab al-Mandeb at the entrance to the Red Sea. In June 1958, two Soviet engineers arrived in Yemen, apparently to supervise construction of the Shalih Said airport planned for the Bab al-Mandeb area.

C. Egypt.

The volume of Yemen's exports indicates that Yemen has incurred obligations to the Bloc beyond its ability to pay. During 1956, the last year for which total trade statistics are available, Yemen's exports were estimated at \$10 million. Coffee exports accounted for approximately \$6 million, of which about \$4 million were exported to the United States.

During 1957, Yemen's imports from the USSR amounted to approximately \$1.3 million. Yemen exported about \$500,000 worth of coffee to the USSR. Trade with other Bloc countries probably did not total \$500,000. It is expected that Yemen will begin to repay the Bloc credits for economic development in 1959. These payments, together with those already begun in payment for Bloc military aid, imply that approximately \$5 million worth of exports annually would be required during the next 10 years. <sup>To</sup> Adding <sup>1</sup> achieve an export balance ~~the exports to its exports on current account~~ Yemen would be required to curtail other imports drastically or arrange more convenient terms with the Bloc.

Estimated Soviet Bloc Arms Received by Yemen  
(Major Categories)  
1955-mid 1958

<u>Item</u>	<u>Number</u>
I-10 piston fighter	30
Piston trainer	6
Helicopter	2
T-34 medium tank	20
BTR-152 armored vehicle	75
SU-100 self-propelled gun	60
152 mm gun howitzers	3
122 mm guns	31
85 mm antiaircraft guns	26
76 mm antitank guns	73
57 mm antitank guns	62
37 mm antiaircraft guns	106
Armored cars	50
Assorted vehicles	223